## SUSTAINABILITY

Management Platform Supporting Value Creation

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Sustainability Initiatives

The Three Corporate Principles, which have served as MC’s corporate philosophy since its inception, exhort us to “strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.” Recognizing that social and environmental issues represent both risks that must be addressed and new business opportunities, we believe that creating not only economic value, but also societal value and environmental value is essential for the sustainable growth of MC.

MC defines sustainability initiatives as the creation of societal value and environmental value through business activities. By distinguishing this from corporate philanthropy activities (CSR) such as charitable donations, we are further strengthening initiatives to achieve triple-value growth through our business.

Furthermore, to meet the ever-changing demands of society, we believe it is important to maintain a cycle of dialogue with stakeholders combined with the drafting and execution of related measures.

Sustainability Promotion Framework

In MC’s management framework, sustainability initiatives are overseen by the Member of the Board/Corporate Functional Officer in charge of Corporate Sustainability and CSR. The Corporate Sustainability & CSR Department plans and drafts related policies and measures. Following deliberations by the Sustainability & CSR Committee, which convenes approximately twice a year, items are put forward or reported to the Executive Committee and the Board of Directors.

In the following, we provide an overview of the organization, committee, and cycle for integrating sustainability into business strategy.

Companywide Sustainability Framework

- Board of Directors
  - President and CEO
  - Executive Officer
- Corporate Functional Officer (Corporate Sustainability & CSR)
- Supervise Corporate Sustainability & CSR overall

Sustainability & CSR Committee

- A subcommittee under the Executive Committee that discusses basic policies and initiatives related to sustainability, CSR, and corporate philanthropy.
- Chair: Corporate Executive Officer (Corporate Sustainability & CSR)
- Members: Corporate Functional Officers, all Business Group CEOs, General Manager of the Corporate Strategy & Planning Department

Sustainability Advisory Committee

- An advisory body on sustainability to the Corporate Functional Officer.
- Chair: Corporate Functional Officer (Corporate Sustainability & CSR)
- Members: Site sustainability experts representing NGOs, international organizations, the ESG investment sector, etc.

Main Discussion Themes for the Sustainability & CSR Committee in the Fiscal Year Ended March 31, 2021

- Sustainability survey report
- Setting of 2030 targets for MC’s Key Sustainability Issues
- Analysis of the impact of climate change on MC’s business activities (transitions risks and probabilities)
- Initiatives toward a low-carbon/decarbonized society (excluding the establishment of a study group to explore ways to achieve net-zero emissions)
- NGO/Shareholder engagement policy
- Corporate philanthropy activities (including disaster relief projects)

Cycle for Integrating Sustainability into Business Strategy

- Each Business Group formulates its business strategy based on content deliberated by the Sustainability & CSR Committee.
- In the Business Strategy Committee, in which the President and Group CEOs discuss the future strategies for each business, policy approaches based on analyses of multiple climate change scenarios are confirmed for certain Business Groups.

Incorporating Sustainability into Individual Projects

- By having the General Manager of the Corporate Sustainability & CSR Department serve as a member of the Investment Committee, MC has put in place a screening system that reflects potential environmental and social impacts in decision-making.
- For proposal applications such as management plans for subsidiaries and affiliates, by requiring details on aspects including the position of the business in relation to promoting Key Sustainability Issues as well as potential environmental and social risks (including scenario analyses). Through this process, MC seeks to assess risks and create project proposals with an awareness of impacts on the environment and society.

- The Corporate Sustainability & CSR Department has dedicated staff tasked with monitoring both the risks and opportunities of individual proposals for each Business Group from environmental and social perspectives. In reviewing proposals, the department conducts risk management including by performing environmental due diligence together with the Business Group as necessary, as well as by sharing stakeholder concerns and referring to International Finance Corporation (IFC) guidelines. In addition, the Corporate Sustainability & CSR Department helps MC seize new opportunities by offering knowledge and coordination as a department dedicated to sustainability issues.
**Sustainability Promotion Framework**

**Disclosure (Sustainability Website)**

MC’s approach to the disclosure of sustainability-related information is guided by a recognition that corporate value can be enhanced from a medium- to long-term perspective through a continuous cycle of stakeholder dialogue and strategy execution. Based on requests from investors and other stakeholders, we provide details on how our sustainability initiatives contribute to corporate value creation in the medium to long term through timely and accurate disclosures. The feedback we receive in response to these disclosures is consistently captured and reflected in our initiatives.

In March 2021, MC launched the Sustainability Website as a new platform for ESG disclosures with the aim of centralizing ESG-related information disclosed separately through such channels as the Integrated Report and the ESG Data Book, and of responding in a timely manner to the increasingly complex requirements of ESG evaluation bodies and disclosure standards.

The website is primarily aimed at stakeholders who have a strong interest in ESG investment. Referring to multiple ESG reporting guidelines, it has been organized according to ESG topic for easier reference as listed below.

Furthermore, disclosures are made through the Sustainability Website after approval by the Corporate Functional Officer in charge of Corporate Sustainability & CSR and after reporting to the Disclosure Committee, a subcommittee of the Executive Committee.

**Sustainability Website Disclosures by ESG Category**

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
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</thead>
<tbody>
<tr>
<td>• Climate Change</td>
<td>• Human Rights</td>
<td>• Board of Directors and Shares, etc.</td>
</tr>
<tr>
<td>• Environmental Management</td>
<td>• Labor Practices</td>
<td>• Audit &amp; Supervisory Board and Audit</td>
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<tr>
<td>• Water Resources</td>
<td>• Diversity Management</td>
<td>Directors’ and Audit &amp; Supervisory</td>
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<tr>
<td>• Biodiversity</td>
<td>• Occupational Health and Safety</td>
<td>Board Members’ Remuneration, etc.</td>
</tr>
<tr>
<td>• Prevention of Pollution</td>
<td>• Human Resource Development</td>
<td>• Compliance</td>
</tr>
<tr>
<td>• Efficient Use of Resources</td>
<td>• Customer Responsibility</td>
<td>• Risk Management</td>
</tr>
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**Collecting Sustainability Information on a Consolidated Basis**

To fully grasp qualitative and quantitative information around corporate sustainability, MC annually conducts environmental and occupational health and safety surveys targeting all subsidiaries and affiliates on a global, consolidated basis. The aggregated results are reported to management and are used as basic materials when considering sustainability initiatives and other measures.

**Selection of survey targets (Main)**

The subsidiaries and affiliates subject to the survey are determined by the relevant Business Group/Regions. In principle, the survey covers all subsidiaries and affiliates including consolidated subsidiaries, affiliates (including affiliates of subsidiaries) under the equity method, and jointly managed projects and companies.

**Start of survey (Main)**

The survey items include greenhouse gas emissions, water use, occupational health and safety data, expenditures for philanthropic activities, environmental management measures and other management policies.

**Completion of survey (Main)**

Data on consolidated greenhouse gas emissions, energy usage, electricity consumption, non-consolidated occupational health and safety performance and other aspects is received independently of Berner’s assurance from Deloitte Tohmatsu Sustainability Co., Ltd. to improve data reliability.

**Reporting/disclosure (Main)**

The survey results are reported to the Sustainability & CSR Committee, the Executive Committee and the Board of Directors. A portion of the data is disclosed on the Sustainability Website, in our Sustainability Report and in our annual response to CDP.

**On-Site Observation Tour**

In the fall of 2020, MC conducted a site visit to imperfect Inc.,* in Omotesando, Tokyo. During the visit, Sustainability Advisory Committee members learned about the role imperfect Inc.’s activities play and the challenges faced in promoting sustainable activities to support livelihoods and conserve the environment.

*imperfect Inc. sells products that combine ingredients such as nuts, cacao and coffee produced through initiatives supporting agricultural practices that promote biodiversity and advance environmental conservation.

**Disclosures on Materiality**

In March 2021, MC conducted 30 direct dialogues with shareholders on the topic of sustainability. We also conducted 70 direct dialogues with NGOs, including two in Japan, 48 in Europe and 20 in Americas. These meetings provided valuable insights into stakeholders’ perspectives, including expectations in relation to our strategies toward the transition to a low-carbon, decarbonized society, as well as policies around individual fossil fuel projects. MC will firmly consider the suggestions we have received and will strive to provide timely and appropriate disclosure of the response measures and policies we formulate.

**Sustainability Advisory Committee**

MC has established the Sustainability Advisory Committee which consists of six outside experts representing the perspectives of MC’s diverse stakeholders including NGOs, international agencies and the ESG investment sector, as an advisory body to the Corporate Functional Officer (Corporate Sustainability & CSR). MC conveys its thinking on sustainability policies to committee members and, with the aim of improving stakeholder engagement, receives advice and recommendations from them. Moreover, MC conducts tours of business sites for committee members in order to deepen their understanding of MC’s businesses. At the Sustainability Advisory Committee meeting held in May 2021, MC received feedback on the following topics:

**Sustainability Advisory Committee Members**

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<td>Director, Law and Institution Studies Group, Inter-disciplinary Studies Center (IDE-JETRIE)</td>
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**Main Discussion Topics**

- MC’s Key Sustainability Issues
- Responding to climate change
- Supply chain management
- Stakeholder engagement
- Corporate philanthropy activities (including recovery activities)
- Consideration of important policies for the future

**Dialogue with Stakeholders (Incorporating External Perspectives)**

MC places great importance on its ability to identify and appropriately address the ever-changing demands of society. We engage in direct dialogue with investors including shareholders and NGOs, and hold discussions with local communities on individual projects. In addition, we carry out supply chain surveys as part of our supply chain management. We see constructive dialogue with all of our stakeholders and the reflection of input from that dialogue in our policies and actions as being vital to the achievement of sustainable medium- to long-term improvement in our corporate value.

Moreover, to better understand global environmental and societal trends, MC has established sustainability departments in Europe, the Americas, Southeast Asia and other regions to share and coordinate information. We are also a signatory of the UN Global Compact and are a member of organizations such as the World Business Council for Sustainable Development (WBCSD). In addition, the Sustainability Advisory Committee, which we established in 2008, is working to incorporate external perspectives into our sustainability activities. The committee meets twice a year to provide advice and recommendations.

**Dialogue with Stakeholders in the Fiscal Year Ended March 31, 2021**

In the fiscal year ended March 31, 2021, MC held approximately 30 direct dialogues with shareholders on the topic of sustainability. We also conducted 70 direct dialogues with NGOs, including two in Japan, 48 in Europe and 20 in Americas. These meetings provided valuable insights into stakeholders’ perspectives, including expectations in relation to our strategies toward the transition to a low-carbon, decarbonized society, as well as policies around individual fossil fuel projects. MC will firmly consider the suggestions we have received and will strive to provide timely and appropriate disclosure of the response measures and policies we formulate.

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- MC’s Key Sustainability Issues
- Responding to climate change
- Supply chain management
- Stakeholder engagement
- Corporate philanthropy activities (including recovery activities)
- Consideration of important policies for the future
Supply Chain Management

Basic Approach on Human Rights (Including Response to International Norms)
MC believes that respect for human rights is fundamental to doing business globally. MC stipulates its respect for human rights in its Corporate Standards of Conduct and Social Charter. MC’s Code of Conduct for executives and employees states that MC will “respect human rights; will not engage in discrimination on the basis of race, ethnicity, creed, religion, or any other grounds; will not tolerate harassment; will respect the cultures, customs, and languages of other countries and regions” both inside and outside MC. MC also supports international norms such as the UN Guiding Principles on Business and Human Rights, the core labor standards of the International Labour Organization (ILO), and the Voluntary Principles on Security and Human Rights. Furthermore, in the UK, the government established the UK Modern Slavery Act (MSA), which requires certain companies to disclose actions taken to mitigate modern slavery in their supply chains. In response to this legislation, MC published a statement annually. The Mitsubishi Corporation Policy for Sustainable Supply Chain Management includes clauses covering the prohibition of forced labor and child labor. MC expects its suppliers to understand, embrace, and abide by this policy.

Policy and Structure for Supply Chain Management

For MC, as a global company involved in businesses across a wide range of products and services, ensuring sustainable supply chains is a key issue. MC has established its approach into a supply chain policy. Furthermore, MC has formulated individual guidelines for certain products that require specific individualized initiatives.

Mitsubishi Corporation Policy for Sustainable Supply Chain Management

Basic Policy
Since its foundation, MC has adhered to the Three Corporate Principles which have guided its corporate philosophy and which place considerable emphasis on the importance of its corporate social responsibilities. Moreover, our Corporate Standards of Conduct outline our commitment to comply with all relevant laws and international regulations and to act responsibly with respect to the highest social standards. Our Corporate Standards of Conduct further elaborate on our commitment to preserving the global environment and pursuing sustainable development through all aspects of our business activities.

1. Policy
For MC, as a global company involved in businesses across a wide range of products and services, ensuring sustainable supply chains is a key issue. MC has established the Mitsubishi Corporation Policy for Sustainable Supply Chain Management which outlines MC’s actions to address human rights, labor rights and environmental issues in the supply chain. This policy serves to convey MC’s fundamental perspective to all its suppliers.

2. Monitoring
MC conducts regular surveys to its suppliers to monitor the status of their compliance with the Basic Policy and to strengthen communication with suppliers. Furthermore, MC visits suppliers to confirm the status of their activities where it determines that site visits are necessary based on the regions where suppliers are active and their business activities.

3. Response to Compliance Violations
If a violation of the Basic Policy is confirmed, MC will demand that the relevant supplier implement corrective measures and will provide guidance and assistance to the supplier as necessary. If MC determines that the supplier is unlikely to implement corrective measures even after providing continuous guidance and assistance, MC will re-evaluate its business relationship with the relevant supplier.
The MC Group’s Risk Management Framework

As the MC Group expands its diverse range of businesses globally, it faces a variety of risks. To maintain our financial soundness and improve our sustainable corporate value, it is crucial that we appropriately manage and respond to various risks. This section explains the MC Group’s Risk Management Framework and related response measures.

Risk Management and Organizational Model

Business Groups and dedicated corporate departments that deal with specific risks collaborate on the development of operations and management frameworks that enable appropriate response to risk.

1. Responding to Market Risk

MC broadly divides market risk into four types: commodity market risk, foreign exchange risk, interest rate risk and stock price risk. This section explains the impact of these risks on our business as well as our status in managing these risks.

- **Commodity Market Risk**: Risks due to fluctuations in commodity prices, such as oil prices.
- **Foreign Exchange Risk**: Risks related to changes in exchange rates, particularly for currencies such as the US dollar.
- **Interest Rate Risk**: Risks resulting from changes in interest rates, affecting debt costs and the value of interest-bearing assets.
- **Stock Price Risk**: Risks associated with changes in stock prices, impacting the value of investments.

### Financial Impacts of Commodity Market Conditions/Exchange Rates/Interest Rates/Stock Price Risks

<table>
<thead>
<tr>
<th>Fiscal year ending March 31, 2022</th>
<th>Exch. rate (yen/USD)</th>
<th>Oil price (Dubai) (USD/BBL)</th>
<th>Copper ore (USD/MT) (cwt)</th>
<th>Non-interest rate (%)</th>
<th>US dollar interest rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and loss impact on the fiscal year ending March 31, 2022 results forecast</td>
<td>±0.5 billion yen (+1 US$/BBL) per year</td>
<td>±2.5 billion yen (+1 US$/BBL) per year</td>
<td>±1.3 billion yen (+100 US$/MT) per year</td>
<td>±2.0 billion yen (+10 US¢/lb) per year</td>
<td>±0.10</td>
</tr>
</tbody>
</table>

### Response to Foreign Exchange Risk

- **MC** conducts foreign currency-denominated settlements in import/export transactions and foreign transactions, resulting in exposure to the risk of exchange rate fluctuations. In response, we employ hedging measures such as forward exchange contracts. However, there is no guarantee that MC can fully avoid foreign exchange risk.

### Response to Interest Rate Risk

- **A significant proportion** of the interest-bearing liabilities held by **MC** correspond to trade receivables and loans exposed to the effects of interest rate fluctuations. While the interest burden will increase if interest rates rise, income gained from related assets will also increase, offsetting the risk of interest rate fluctuations.

### Response to Credit Risk

- **MC** sets upper limits as credit extended to third parties in order to manage the contract and credit risk involved in transaction credit, loans, guarantees and investments in unlisted companies. In addition, each business partner is assigned a business partner rating based on an in-house rating system.

### Individual Project Approval Authority

- **Approval authority is categorized** according to amount limits and ratings.

### Approach to Credit Risk Management

- **Estimating appropriate** credit costs and promoting improvements in the quality of loans through a reserve system that uses ratings.

### Risk Management and Organizational Model

- **Business Groups** and dedicated corporate departments deal with specific risks, collaborating on the development of operations and management frameworks that enable appropriate response to risk.

### The Diverse Risks Surrounding the Company

- **Climate Risk**: Risks due to changes in the climate, such as extreme weather events.
- **Market Risk**: Risks related to market fluctuations, such as commodity prices.
- **Credit Risk**: Risks associated with creditworthiness of counterparties.
- **Country Risk**: Risks due to political and economic factors of countries.
- **Business Risk**: Risks related to business operations, such as production and sales.
- **Compliance Risk**: Risks related to compliance with laws and regulations.
- **Risk of Natural Disasters, etc.**: Risks due to natural disasters and other events.

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**Note:** The above list excludes those firms that are related to major risks and those that are explained separately.
3 Responding to Business Investment Risk

To manage business investment risk properly, MC has established a screening process to review and make decisions on new, existing, and replacement projects.

- **New projects**
  - Application for policy/implementation
  - Business plan formulation
  - Review regarding continuation of investments

- **Existing projects**
  - Business plan formulation

- **Replacement projects**
  - Review regarding continuation of investments

**Screening process for proposals**

- Proposals are reviewed at the discretion of Group CEO.
- Group CEOs screen proposals for the Executive Committee and the Board of Directors.
- The Investment Committee, chaired by the Corporate Functional Officer (Global Strategy), discusses all new investment and finance proposals.

MC delegates authority according to the financial scale of each Business Group, while the Investment Committee discusses all new investment and finance proposals as well as sales and withdrawal proposals prior to deliberation by the Executive Committee and the Board of Directors. The Corporate Functional Officer (CFO) serves as the chairman MC delegates authority according to the financial scale of each Business Group, while the Investment Committee discusses all new investment and finance proposals as well as sales and withdrawal proposals prior to deliberation by the Executive Committee and the Board of Directors. The Corporate Functional Officer (CFO) serves as the chairman.

Analyze results on the risk/return of business investments, compile a risk analysis report, and determine policies for capital allocation. Business plans for select subsidiaries and affiliates are reported to the Executive Committee. This information is used to processes that promote business growth and value creation, including the monitoring of business management effectiveness, and the discussion of medium- to long-term growth strategies.

4 Responding to Country Risk

MC has established a Regional Strategy Committee and a country risk countermeasure structure to properly assess and manage country risk. We also enact appropriate risk hedging measures, such as the country risk countermeasure system.

- **Regional Strategy Committee**
  - Chair: Corporate Functional Officer (Global Strategy)
  - Members: General Manager, Audit & Supervisory Board Members; Group CEO; Corporate staff; associated corporate general managers, Business Group-CFO office general managers, etc.

- **Country Risk Countermeasure System**
  - Chair: Corporate Functional Officer (Global Strategy)
  - Members: General Manager, Audit & Supervisory Board Members; Group CEO; Corporate staff; associated corporate general managers, Business Group-CFO office general managers, etc.

5 Responding to Compliance Risks

Based on internal rules and regulations related to compliance, MC has established a Compliance Framework and provides support for a Compliance Management Framework on a consolidated basis. Compliance-related measures are enacted through discussions by the Compliance Committee, and these measures are reported to the Board of Directors annually. MC also sets up various whistleblowing helplines and is working to detect and prevent compliance issues at an early stage.

**Compliance Framework**

- **Chief Compliance Officer**
  - Chair: President and CEO
  - Members: Group CEO, Compliance Administration Officers

- **Internal Whistleblower System**
  - Chair: Group Compliance Officer
  - Members: General Manager, Audit & Supervisory Board Members; Compliance Administration Officers

- **Global Whistleblowing System “LUKS”**
  - Report and Consultation
  - Report and Consultation
  - Report and Consultation
  - Report and Consultation
### Responding to Risks from Natural Disasters and Other Types of Disasters

**Crisis Management Structure on a Consolidated Basis**

MC has built up a structure for securing the lives and safety of employees and their families as we respond on a consolidated basis to all crises that impact our profit and business continuity (all-hazard approach) by linking together each Business Group and Regional and National Crisis Management Offices under the management and supervision of the Emergency Crisis Management Officer.

**All-Hazard Approach**

Based on the all-hazard approach, MC has built up an internal structure that anticipates all kinds of risks, such as major natural disasters, acts of terrorism, new infectious diseases, supply chain disruptions, legal transgressions, and cyber incidents, etc. Under usual conditions, we build up and establish various crisis management measures and structures needed in the event that a crisis does occur, so that we can ensure the safety and ascertain the status of all concerned as part of our initial response, and then act promptly to maintain and recover the infrastructure necessary for business continuity.

In particular, in the event of a serious incident impacting the lives and safety of our employees, as well as continuity of critical business operations, we will respond under the companywide direction of the Emergency Crisis Management Officer, while moving forward with our consolidated business continuity management (BCM) process established for major crises.

### Business Continuity Management (BCM) on a Consolidated Basis

In 2018, MC adopted “business continuity management (BCM)” for its core business companies (selected from among MC Group companies) to establish and strengthen our consolidated framework designed to equip us with the business continuity capabilities needed to respond appropriately to major crisis situations. BCM refers to the comprehensive management and implementation of a continuous POGA cycle, including the formulation of a first response and business continuity plan (BCP) based on risk/impact analysis of each crisis, the establishment of appropriate systems, and education/training. It takes into account the specific local conditions operational circumstances and business characteristics of operational companies.

**Specific Crisis Response Measures and Identifying Future Issues**

**What is the status of your COVID-19 response?**

Governments around the world are implementing a variety of COVID-19 countermeasures, including vaccination programs. Despite these efforts, the disease itself remains a major threat to the lives and safety of our employees, as well as our business continuity. Due to the emergence of new COVID-19 variants, from the early stages of the global COVID-19 pandemic, we have been promptly implementing necessary countermeasures with the aim of safeguarding our employees from infection, preventing the spread of the virus and appropriately ensuring business continuity. The Emergency Crisis Management Headquarters, in which industrial physicians participate, is spearheading these endeavors. In Japan, we have introduced teleworking, implemented thorough infection prevention measures at business sites, limited business travel and group dining and taken other actions in response to infectious threats and requests from both national and local governments. At our overseas business sites, we have assessed the status of the pandemic and local medical services in each country and taken appropriate actions, including to promptly ensure the shift to teleworking, and the evacuation of employees and their families. We strive to appropriately secure business continuity by making decisions on when employees should return to each country based on careful assessments of the safety in each area.

**How will MC respond to worsening security situations in overseas countries?**

MC has built a crisis management structure centered on the companywide Emergency Crisis Management Headquarters. In the event of an emergency, this structure will work with the relevant regional organizations and offices to monitor the situation and implement any measures necessary to verify and ensure the safety of all MC employees and their families as well as local staff, in cooperation with the Japanese government and its overseas diplomatic missions. Under normal circumstances, we are constantly working with the relevant regional organizations and offices to prepare for emergencies on a consolidated basis by both monitoring the political and security situation and carrying out various actions, such as regular inspections of safety measures, BCP development and training exercises.

**What do you see as your future priorities in terms of risk management and BCM?**

MC faces an increasingly diverse range of risks in its business environment, including COVID-19, worsening security situations in overseas countries and cyber incidents. We must continually strengthen our ability to respond to all types of risk. We will further strengthen and enhance our business continuity preparedness at the consolidated level based on an all-hazard approach to apply the lessons learned and experience gained from each crisis.

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**Note:** Works are comprehensive, so in detail with serious incidents shall be taken under the direction of the Emergency Crisis Management Officers, in cooperation with the relevant crisis management structures.
Responding to Climate Risk

Policy
Climate change is one of the key issues for management to address as MC strives to achieve sustainable growth. MC makes full use of the knowledge of the energy industry as well as its core strengths—collective capabilities, foresight and execution skills—to implement initiatives that transcend industries. MC will contribute toward the achievement of international goals such as those expressed through the SDGs and the Paris Agreement by working closely with each company in the MC Group and collaborating with a wide range of stakeholders, including governments, companies and industry associations.

Furthermore, as we recognize the importance of climate-related financial disclosures, we support the TCFD*, which has proposed disclosure guidelines, and we are working to enhance the disclosure of information in accordance with those guidelines.

Governance
As an important management issue, the Executive Committee determines the basic policies and other important matters regarding climate change, and reports these to the Board of Directors. In addition to seeking advice and recommendations from the external experts of the Sustainability Advisory Committee, the Sustainability & CSR Committee discusses matters thoroughly before they are brought to the Executive Committee.

Discussions focus on policies regarding climate change, such as climate-related initiatives through business and policies for addressing the TCFD. Other important matters such as methods to evaluate climate risks and opportunities (including scenario analysis) and greenhouse gas reduction targets (including the status of reductions) are also discussed.

Climate-Related Governance Framework
Board of Directors
Executive Committee
Sustainability & CSR Committee (reports directly to the Executive Committee)
Sustainability Advisory Committee
Officer in Charge
Corporate Functional Officer (Corporate Sustainability & CSR)
Corporate Sustainability & CSR Department

Role
Supervises MC’s climate-related actions and initiatives
Makes decisions regarding MC’s basic policy on climate change as well as important matters pertaining to climate change
Deliberates on MC’s basic policy on climate change and important matters therein, and reports findings to the Executive Committee
Offers advice and recommendations regarding MC’s basic policy on climate change and important matters therein

Frequency
Commonly approx.
Twice per year
Commonly approx.
Twice per year
Commonly approx.
Twice per year

1. Survey
Sustainability survey of subsidiaries and affiliates
Research on external trends

2. Evaluation and Identification
Evaluation and identification of key business risks and opportunities in the Sustainability & CSR Committee

3. Management
Manage individual projects through screening process for investment and loan proposals

Key risks and opportunities are assessed through internal and external surveys which are then evaluated and identified by the Sustainability & CSR Committee in which all Business Group CEOs participate in discussions. These risks and opportunities are managed under the above Governance Framework.

7. Responding to Climate Risk

Strategies

1. Selecting Climate Scenarios

- MC references 2°C climate scenarios set out by the International Energy Agency (IEA) and other organizations (World Energy Outlook, Sustainable Development Scenarios, Energy Technology Perspectives Sustainable Development Scenarios, etc.).
- MC is currently in consideration to conduct analysis using the 1.5°C scenario, based on the premise that decarbonization will proceed faster than the 2°C scenario, and this will be considered going forward.

2. Identifying Businesses Most Affected by Climate Change

- Please refer to the Sustainability Website for details: https://mitsubishicorp.disclosure.site/en/themes/113#915

3. Identifying Risks and Opportunities

- Please refer to pages 46–51 for information on MC’s Sustainability Promotion Framework.

4. Determining Projects to be Monitored

- Please refer to the Sustainability Website for details: https://mitsubishicorp.disclosure.site/en/themes/113#915

- As the global trend toward carbon reduction/decarbonization becomes more pronounced, MC recognizes that the resulting decline in coal competitiveness due to restrictions and tightening regulations on fossil fuel-based power generation businesses could make it difficult to withdraw from existing projects in the future.

- Accordingly, MC has disclosed specific policies in relation to coal-fired power generation businesses. In the gas-fired power generation business as well, by conducting a risk analysis based on the impacts of climate change, MC aims to achieve a 100% non-fossil power generation portfolio by 2050.

*Policy on Coal-Fired Power Generation Businesses (IPP and EPC)

- Indepenendent Power Producer (IPP) Business for Coal-Fired Power Generation
  - As of April 2020, MC’s coal-fired power generation capacity (for businesses in which MC serves as the independent power producer) or “IPP”, including projects under development and construction, is approximately 2.3 GW on an equity share basis (roughly 20% of MC’s total capacity as of the same date).
  - MC’s unutilized capacity to reduce its shareable capacity by approximately one-fifth by 2020 (compared to 2020 levels) by not entering into any new coal-fired power generation businesses, with the Vang Ang 3 project in Vietnam being the last, and for all existing coal-fired power generation projects by 2030. Furthermore, we will seek to reduce CO2 emissions in our thermal power generation business by taking steps such as converting to alternative fuels where possible. We will subsequently aim to achieve a 100% non-fossil power generation portfolio by 2050 (by 1) discontinuing our thermal power generation business by switching to zero-carbon thermal power and (2) further expanding our renewable energy business.

*Task Force on Climate-related Financial Disclosures. The team was established by the Financial Stability Board of G20 countries (more than 20 countries and regions) to ensure that companies disclose climate-related information. The General Manager of MC’s Corporate Sustainability & CSR Board is a member of this task force.

*Policy on Coal-Fired Power Generation Businesses (IPP and EPC)

- Independent Power Producer (IPP) Business for Coal-Fired Power Generation
  - As of April 2020, MC’s coal-fired power generation capacity share (for businesses in which MC serves as the independent power producer) or “IPP”, including projects under development and construction, is approximately 2.3 GW on an equity share basis (roughly 20% of MC’s total capacity as of the same date).
  - MC’s unutilized capacity to reduce its shareable capacity by approximately one-fifth by 2020 (compared to 2020 levels) by not entering into any new coal-fired power generation businesses, with the Vang Ang 3 project in Vietnam being the last, and for all existing coal-fired power generation projects by 2030. Furthermore, we will seek to reduce CO2 emissions in our thermal power generation business by taking steps such as converting to alternative fuels where possible. We will subsequently aim to achieve a 100% non-fossil power generation portfolio by 2050 (by 1) discontinuing our thermal power generation business by switching to zero-carbon thermal power and (2) further expanding our renewable energy business.

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Metallurgical Coal

MC recognizes its metallurgical coal business will be affected by a number of factors in the future, including the growing use of new steel production techniques with reduced greenhouse gas emissions, as well as the electric furnace method. Introduction of carbon pricing will also affect our metallurgical coal business. However, MC expects to maintain its advantage to a certain extent due to the increase in need for high-grade metallurgical coal against the backdrop of increased efficiency in smelting using the blast furnace method. MC will continuously monitor and analyze issues including the progress of new technologies in steelmaking methods, CO2 emissions, electric furnaces and national policies, which could have an impact on metallurgical coal demand, and work to strengthen the competitiveness of metallurgical coal assets. At the same time, MC will work to reduce greenhouse gas emissions throughout the entire metallurgical coal value chain.

Natural Gas

While global demand for natural gas is expected to start declining after 2030, demand in the Asia-Pacific region is predicted to increase significantly through 2040. By selectively identifying high-cost-competitive projects, MC expects to maintain a competitive advantage in its natural gas business. The transition to a low-carbon/decarbonized society continues. MC has positioned natural gas as a vital energy source and intends to expand its resource base in Asia by promoting the foundations of its existing operations, while also developing demand in emerging markets, with a particular emphasis on Asia. At the same time, MC will continue to monitor international policy developments, such as the introduction of carbon taxes, which could be a factor that affects business profitability. MC will also continue to pay close attention to technological developments, such as CCUS, and work to implement and consider initiatives transitioning to carbon-neutral natural gas in various fields.

Automobiles (passenger cars, pickup trucks)

While MC anticipates modest growth in overall demand for automobiles, automobile dynamics, including production distribution, financing, and after-sales services, as well as efforts to encourage the adoption of EVs, while also closely monitoring trends in tax systems and policies in each country in which it operates, MC will maintain the sustainability of its businesses by helping to address societal issues through its mobility service business, as well as by further strengthening its functions and community-based networks built-up over many years.

Ships

The transition to next-generation energy sources, such as liquefied hydrocarbons and ammonia, is expected to accelerate in response to the tightening of existing regulations and the introduction of new rules. However, because the full-scale global switch to new fuels and development of the necessary supply infrastructure will likely only begin to accelerate after 2030, the coal borne by MC for the replacement of existing vessels is expected to be very limited. There is also limited risk to MC since the additional costs associated with the fuel required for operations is expected to remain insignificant as the shipyard operator. By developing and introducing advanced vessels, MC will make its business more sustainable and add value to the coastal shipping industry.

Incorporation into Business Strategy

The five businesses discussed above are seen as having high transition risks. MC takes these risks into consideration and reflects them in its business strategies.

In this section, we refer to the Sustainability Website for information about our low-carbon/decarbonization business: https://mitsubishicorp.disclosure.site/en/themes/1134#919

In order to comprehensively understand the potential physical risks that climate change poses to the MC Group’s business, MC has started an assessment based on the following process. The following process will describe the results of the assessment upon completion.

Process

MC has a large portfolio of companies with diverse and widespread assets. To determine which of the MC Group’s assets are potentially most exposed to the physical impacts of climate change, MC is undertaking the following systematic process:

1. Identifying high-risk assets that should be analyzed in Phase 2, and scoring each asset’s potential exposure to climate hazards through 2050.

2. Detailed Analysis

- For each asset, each climate hazard is rated by considering the probability that the climate hazard will occur, the magnitude of the associated impacts, and the potential financial impact on MC.

3. Detailed analysis of each asset’s potential exposure to physical climate hazards with highest scores in Phase 1 (high-risk assets) through 2050, based on observational data, climate model projections and information such as previously experienced impacts due to physical climate hazards.

Relevant reference: Please refer to the Sustainability Website for more information about the scenario analyses, including the results of the analyses for the other projects to be mentioned: https://mitsubishicorp.disclosure.site/en/themes/1134#919

Incorporation into Business Strategy

The above assessment will allow MC to identify assets that are most exposed to climate hazards and will enable MC to prioritize adaptation measures and incorporate them into business strategy.

Reference

Please refer to the Sustainability Website for details on the assessment process: https://mitsubishicorp.disclosure.site/en/themes/1134#919

Metrics and Targets

MC has set the following climate-related targets to capitalize on opportunities and mitigate risks on a consolidated basis.

Aim to double renewable power generation capacity by the fiscal year ending March 2021 compared to the fiscal year ended March 2020.

Aim to reduce existing thermal power capacity and switch to zero-emissions thermal power, targeting 100% non-fossil fuels in MC’s power generation business by 2060

MC has set a target of reducing greenhouse gas emissions per unit of total assets*2 by 25% by 2030*, however MC is currently considering a review of this target in order to reinforce its low-carbon/decarbonization efforts.

* The total assets used for per unit calculations are different from the total assets reported in MC’s financial reports.

*2 IPCC's RCP 4.5 scenario

MC’s response to COP 26 Climate Change can be viewed via this link: https://mitsubishicorp.disclosure.site/en/themes/134

In this section, we refer to the Sustainability Website for information about the low-carbon/decarbonization business: https://mitsubishicorp.disclosure.site/en/themes/1134#919

1. The total assets used for per unit calculations are different from the total assets reported in MC’s financial reports.

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Targeting Sustainable Growth Through Stakeholder Engagement

With the Three Corporate Principles as its core philosophy, MC has continued to grow together with society by addressing societal issues. The MC Group seeks to increase its corporate value in the medium to long term against a global backdrop of rising uncertainty and unpredictability, including geopolitical and economic shifts, changes in industrial landscapes driven by technological innovation, and evolving societal values. To this end, we believe it is vital to accurately grasp the demands and expectations of our diverse stakeholders through engagement and dialogue, and to reflect these in our group management.

MC has established a system to reflect stakeholder opinions into company management by incorporating external perspectives into the Board of Directors and its advisory bodies (the Governance, Nomination & Compensation Committee and the International Advisory Committee) as well as the Sustainability Advisory Committee. With these and other initiatives to engage with its various stakeholders, MC aims to achieve sustainable, triple-value growth and to provide solutions to societal and environmental issues through its business activities.

Stakeholder Engagement

Evaluation by Society
MC actively discloses information related to its efforts to generate sustainable corporate value to a variety of stakeholders worldwide. We emphasize environmental, social and governance (ESG) indices and the level of recognition from external stakeholders as indicators for measuring the results of these efforts.

Shareholders, Investors and Creditors
MC strives to gain understanding and support of its business and management strategy through the timely and appropriate disclosure of information and enhancement of disclosure materials, as well as through briefings and individual meetings. At the same time, MC works to maximize corporate value by reflecting in its management the opinions and demands of shareholders and investors obtained through dialogue with them.

Examples of Engagement
- Meetings with institutional investors and analysts: approx. 20 times (CEO/ CFO); approx. 40 times (IR); approx. 30 times (ISG).
- Communication with shareholders at the Ordinary General Meeting of Shareholders.
- Publication of business reports, integrated reports, sustainability reports, investors’ notes
- Quarterly financial results briefings: 4 times annually
- Business briefing sessions: 2 times (the fiscal year ended March 31, 2021)
- Online seminars with individual investors: 3 times (the fiscal year ended March 31, 2020)
- Publication of business reports, integrated reports, sustainability reports, investors’ notes
- Implementing various initiatives in our silica sand operations such as prioritizing renewable energy and other topics; Fuel Ammonia Council, etc.
- Conducting regular Employee Awareness Surveys
- Health and productivity management, diversity management*
- Human resource development*
- Support activities through foundations and funds

Examples of Engagement
- Implementing a local purchasing program for mining operations to procure certain goods and services from local small- and medium-sized enterprises
- Providing scholarships and supporting local infrastructure development
- Supporting activities through foundations and funds

Employees
In response to the further diversification and globalization of its businesses, MC is working to develop human resources and support their success on a global, consolidated basis. This is to establish vibrant workplaces where MC’s diverse group of employees, regardless of gender, nationality or other attributes, are able to demonstrate their unique abilities to the fullest.

Examples of Engagement
- Enhanced talent management, group-wide training initiatives, etc.
- Health and productivity management, diversity management* (including supporting health with internal medical clinics and career support for female employees)
- Conducting regular Employee Awareness Surveys

Employees
(1/32 of 32,000 survey responses on a global, consolidated basis for the fiscal year ended March 31, 2020)
- Dialogue with the MC Staff Union, and information dissemination through MC’s internal and external media.

Examples of Engagement
- Enhance talent management, group-wide training initiatives, etc.
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Government and Local Authorities
To achieve improvements and provide solutions to societal issues through our global business operations, we engage in collaboration, joint initiatives and dialogue with public sector bodies through our involvement in business associations, public-private initiatives and other forums, with the aim of contributing to societal development.

Examples of Engagement
- Business association activities: Dialogues with public sector bodies through the Japan Business Federation (Keidanren), the Japan Chamber of Commerce and Industry, the Tokyo Chamber of Commerce and Industry and regional Chambers, as well as with the Japan-India Chamber of Corporate Executives, the Japan Foreign Trade Council, Inc., etc.
- Public-private initiatives with public institutions: Collaborations with and utilization of Japanese government ministries (Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, etc.), the Japan International Cooperation Agency and Multilateral Development Bank Associations, and sessions hosted by the Ministry of Economy, Trade and Industry and the Ministry of the Environment concerning utilization of TCFD guidelines, the greater adoption of renewable energy and other topics, Fuel Ammonia Council, etc.
- Discussions at the Ministerial Meeting on Strategy relating Infrastructure Expert and Economic Cooperation led by the Japanese government (5 times since in 2013)

NGOs
We recognize NGOs as key stakeholders that function as representatives for the planet and its citizens, and we seriously consider the opinions and requests raised through our robust communication on a day-to-day basis, and use them to improve our initiatives. Moreover, we are promoting collaborations with NGOs to address environmental and societal issues.

Examples of Engagement
- Meetings with NGOs: Japan: 25; Europe: 48; Americas: 20 (e.g. about coal-fired power generation/business and climate initiatives)
- CSR activities related to biodiversity (tropical forest preservation, global coral reef conservation, fisheries improvement and wildlife management initiatives in the Amazon river basin through foundations set up by MC in Europe and the Americas, supporting NGOs working toward sustainable cocoa farming in Côte d’Ivoire)
- Receiving the advice and recommendations of NGOs on MC’s Sustainability Advisory Committee into business initiatives

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People are MC’s greatest asset. To continue creating sustainable corporate value, the MC Group must adapt to the growing diversification and globalization of its business activities by ensuring that its diverse group of employees, regardless of age, gender, nationality or other attributes, are able to demonstrate their unique abilities to the fullest extent possible.

The importance that we place on ensuring the mental and physical health of our employees, as well as on creating environments that embrace diversity, is reflected in our health promotion and diversity management initiatives.

### Health and Productivity Management

MC recognizes that the success of each employee depends on their physical and mental wellbeing. Therefore, we consider the health of our employees to be a key management priority that will lead to further value creation and sustainable growth.

Our health promotion measures have received external recognition, and we have been included in the “Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500),” a list of 500 companies recognized for excellence in their health and productivity initiatives every year since 2019.

Going forward, MC will strive to achieve higher productivity and continue creating value by not only working to prevent health issues, but also by providing health support to help employees lead active lives and reach their full potential.

### Message from the Head Occupational Physician

Recognizing that working overseas for extended periods can have an impact on one’s health due to differences in language, culture, medical systems and other environmental factors, the MC Head Office medical clinic is equipped to handle health-related inquiries from employees and their family members should they feel unwell while overseas. We also conduct a survey to monitor the health and working environments of employees on overseas assignments. Additional support is provided by the Global Human Resources Department, the Mental Health Support Desk and in-house medical clinics.

In addition, our physicians and nutritionists encourage lifestyle changes by providing health and nutritional guidance based on their knowledge of diverse working environments, lifestyle trends and employee health data. In 2020, we introduced a health app that helps users to visualize and improve their lifestyle habits. Over 90% of the people who used the app reported an improvement in their understanding of good lifestyle habits, and 60% said that their health awareness had improved. There has also been an overall improvement in the BMIs of those examined at the in-house medical clinics.

Going forward, MC will continue to enhance its medium- to long-term health support measures, such as by providing health guidance to younger employees and working to raise the awareness of healthy employees who have normal checkup results on how to structure their lifestyles to maintain their health.

### Work Styles and Health Management in Environments with COVID-19 Prevention Measures

Having established infection prevention measures, MC established a hybrid working style that combines teleworking and on-site work according to the characteristics of each job, business environment and industry, with the aim of maximizing productivity.

Environmental changes often lead to physical and mental stress, and so our health management support includes consultation sessions and seminars on wellness, targeting both individuals as well as those who are managing subordinates. In addition to carrying out yearly stress checks, we have established an early detection system for health fluctuations based on regular monitoring of the status of employees undergoing on-site professional training.

### Initiatives to Support the Active Role of Diverse Human Resources

We believe that the significance of diversity management at the MC Group lies in building a strong organization with the flexibility to adapt to changing business environments.

In sharing the spirit of its guiding philosophy, the Three Corporate Principles, the MC Group aims to:

- Recruit and apply its broad professional expertise without discrimination
- Benefit from workforce diversity by embracing and applying different perspectives and ideas to its management practices, business creations and regional developments.
- Improve organizational performance by ensuring an inclusive professional work environment that maximizes the abilities of a diverse workforce.

#### Initiatives to Support Women’s Careers

For many years we have supported the development and continuation of women’s careers by enhancing and expanding systems to support those who need to balance work responsibilities with family obligations, so that they can continue to pursue careers with MC. Going forward, we will further enhance our career support systems to create work environments where female employees can independently build their careers and play a more active role in the workplace.

#### Phase 2: Initiatives Based on Supporting Women’s Careers (Plan Period: April 1, 2021 to March 31, 2026)

In Phase 2, we will implement measures focusing on the following two goals based on a review of progress and the effectiveness of actions in Phase 1.

- **Target 1**: Encourage more high-level appointments of female employees and raise the percentage of women in management-level positions above 10%.

  **Background and Goals**

  - By expanding its systems to promote a healthy work-life balance and taking special career-support measures for its female professionals, MC has boosted the percentage of women in management-level positions.
  - MC plans to further accelerate its appointment of women to executive positions.

  **Examples of Initiatives**

  - Expansion of the mentorship program for working women.
  - Instructing the Women’s Career Managers to analyze and address any separate issues that may exist companywide and within their respective departments.
  - Career support through training programs and networking opportunities that are specifically designed for working women.

  **Target 2**: Ensure that all eligible male employees take their full paternity leave.

  **Background and Goals**

  - Through Phase 1 initiatives, more working fathers at MC have been taking paternity leave and doing so for longer periods.
  - MC will raise awareness of paternity leave and make it easier for male employees with newborns to use it.

  **Examples of Initiatives**

  - Establishment of a consultation desk for male employees.
  - Promote the idea that male employees should principle take paternity leave when their spouses give birth.
  - Encourage male employees to use paternity leave through roundtable discussions with those who already have, internal promotion activities, and the provision of guidance to individuals and their supervisors.

<table>
<thead>
<tr>
<th>Target</th>
<th>Percentage of Women in Management-Level Positions (as of April 1 each year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>4.4</td>
</tr>
<tr>
<td>Phase 2 Target</td>
<td>15% or higher</td>
</tr>
</tbody>
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**Seigo Ito**

Chief Division

**Engaging Women**

**Supporting Women’s Careers**

**Global Engagement**

**Empowerment of Persons with Impairments**

**Engaging Senior Volunteers**
Learning and Maturing Through Business

Egawa Throughout my time at MC, I have been involved in launching LNG projects, and more than half of my career has been spent overseas, including in North America and Southeast Asia, where cultures and personal values differ from those I had experienced in Japan. In some of these regions, progress toward social advancement for women has been limited due to cultural traditions, and at times I was left wondering what matters I should bring to the attention of my male managers. By repeating a process of trial and error to communicate thoroughly and establish relationships that allow for frank, one-to-one discussions, I believe I built up the ability to get my point across when breakthroughs are necessary at work.

Naka I have been involved in power plant asset management for many years. Looking back, what I most often recall are the difficulties as well as the joys I experienced when I was seconded to another company. Since this company was in the start-up phase, not only was I carrying out duties as a line manager, but I was also actively involved in setting up corporate functions such as general administration and accounting. Out of these, I found recruiting staff to be especially difficult. First of all, we needed to develop HR systems, and after recruiting staff, we faced conflicts between our diverse group of employees, among other HR-related issues. It was difficult to monitor the overall situation while keeping the organization running smoothly, but it was a rewarding experience unique to a management role. New business proposals also presented some difficulties, and although I was almost at a loss after a series of failed proposals, I continued meeting with our partner companies to identify their concerns and refined the plans with my team members and power plant staff. When we finally came to an agreement on a new business that reduced both costs as well as environmental impacts, I was delighted with the responsibility to provide new value to our customers at hand.

Egawa A lot can be learned from creating a team that works toward a single goal. Joining a bidding team for an LNG project in Canada definitely left an impression on me. I suddenly realized what I most often recall are the difficulties as well as the joys I experienced when I was seconded to another company. Since this company was in the start-up phase, not only was I carrying out duties as a line manager, but I was also actively involved in setting up corporate functions such as general administration and accounting. Out of these, I found recruiting staff to be especially difficult. First of all, we needed to develop HR systems, and after recruiting staff, we faced conflicts between our diverse group of employees, among other HR-related issues. It was difficult to monitor the overall situation while keeping the organization running smoothly, but it was a rewarding experience unique to a management role. New business proposals also presented some difficulties, and although I was almost at a loss after a series of failed proposals, I continued meeting with our partner companies to identify their concerns and refined the plans with my team members and power plant staff. When we finally came to an agreement on a new business that reduced both costs as well as environmental impacts, I was delighted with the responsibility to provide new value to our customers at hand.

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Approaches to Organizational Leadership

Naka The Power & Retail DX Task Force is also working on initiatives in new areas, such as data matching. Our project teams include employees from other Business Groups and organizations, so I try to be flexible when managing our organization. In addition to providing guidance to the teams, I strive to manage their efforts while respecting the independence and characteristics of each member. Mutual understanding is essential when working with new people, so it is important to take the time to carefully listen to team members.

Egawa Until March 2021, I was seconded to a company as a line manager, but aligning with the structure and startup nature of the company, I took on the role of “player-coach,” playing an active role while also coaching the younger employees. Since April, I have been appointed as the General Manager of the Brunei Natural Gas Department, so I modified my management style. Essentially, I respect practical boundaries with the two team leaders and get involved when decisions are necessary. I am now in charge of an LNG project that has been supplying customers in Japan for over 50 years. Having been assigned to this department as the project reaches its final stage, I believe I have an important role to play in terms of determining future strategies on the basis of economic viability as well as societal and environmental value.

Naka Through the mentorship program*, I was able to discuss my concerns about management-related issues with an executive who had experienced similar problems, and I was relieved to know this was a path everyone goes down. I benefited from the valuable advice my mentor provided based on personal experiences.

Egawa Indeed. The mentorship program was an excellent opportunity to obtain advice from different perspectives. My mentor also helped me to build up confidence by encouraging me to challenge myself, and I believe we both learned something from the experience. For my mentor, the lesson was a better understanding of women’s mindsets when they are in management positions and how they approach their work.

Advice for Junior Employees

Egawa My impression is that the working environment at MC has changed significantly compared to when I first joined the Company. The necessary systems are now in place to provide more options for women who want to advance their careers while maintaining a balance with childcare needs. With a little support, women can achieve career growth by seizing the opportunities provided by MC. Because of this, I will do my best to encourage my subordinates and serve as a role model for them. The ability to make good decisions comes from accumulating diverse experiences, and once you acquire this skill, you are ready to take on more responsibility. My message to my junior colleagues is that you can make decisions and offer opinions based on your experiences and career, irrespective of gender.

Naka There are circumstances where not only female employees, but also male employees have to deal with various situations such as caring for children and other family members when their spouses also work. I encourage my male colleagues to take paternity leave, and I even talk about my own family situation at times. Moving forward, I believe it is important for every employee to adopt a mindset of contributing to MC while respecting each other’s individual circumstances. To achieve a balance between work and childcare, we need to recognize the value of real-time communication with our colleagues. Furthermore, managers can achieve work-life balance by overseeing the key aspects of their work while delegating other tasks to colleagues and subordinates. These are all connected, and I believe they are beneficial for MC and its employees. Everyone should take on challenges with a positive attitude, and not shy away from being seconded or assigned to management positions.

We interviewed two female executives who reflected back on their careers to share their thoughts on management and advice for junior colleagues.

Speical Feature: Interview with Female Managers

MC Enhancing Its Organizational Potential by Promoting Diversity Management

We interviewed two female executives who reflected back on their careers to share their thoughts on management and advice for junior colleagues.
Ken Kobayashi
Chairman of the Board

**Board of Directors**
The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. In-house Directors utilize their rich experience of working within MC and Outside Directors utilize their practical, objective, and professional perspectives to ensure appropriate decision-making and management oversight.

**Goverance, Nomination & Compensation Committee**
The committee meets at least three times a year and a majority of its members are Outside Directors and Outside Audit & Supervisory Board Members. It deliberates on matters related to governance, nomination and compensation (P. 76).

**Opportunities to Provide Information and Engage in Dialogue**

**Orientation upon Assumption of Office**
To deepen understanding of MC, all Business Groups and the Corporate Staff Section conduct orientation sessions for newly appointed Outside Directors and Outside Audit & Supervisory Board Members who assume office in total of 29 sessions during the fiscal year ended March 31, 2021.

**Dialogues and Interactions with Management Executives**
Opportunities are created to engage in dialogue and interact with current management executives and next-term management executive candidates.

**Dialogues and Site Visits to Business Subsidiaries and Affiliates**
For further understanding of the MC Group’s wide range of businesses, every year Outside Directors and Outside Audit & Supervisory Board Members participate in site visits to business subsidiaries and affiliates sites, and hold dialogues with the management of business subsidiaries and affiliates.

**Visits to Business Subsidiaries and Affiliates (Past Three Fiscal Years)**

- **April 2018** Cermaq Group AS (Norway)/Offshore wind farm facility (North Sea)
- **September 2020** Visit to Cermaq Group AS (Norway)/Offshore wind farm facility (North Sea)
- **April 2019** Dialogue with management executives at Mitsubishi Shinku Co., Ltd., and opinions were exchanged about the business environment and DX initiatives in the food distribution business.

- **April 2018** joint venture business owned by five companies: MC, Royal Dutch Shell plc, and state-operated energy enterprises from Malaysia, China, and South Korea. The business intends to export and sell LNG to East Asia countries, including Japan.

- **August 2018** Mission to natural gas production and development site and LNG Canada project development site (Canada)

- **August 2016** Visit to Cermaq Group AS (Norway)/Offshore wind farm facility (North Sea)

- **March 2021** Dialogue with management executives at Mitsubishi Shinku Co., Ltd., and opinions were exchanged about the business environment and DX initiatives in the food distribution business.

*Note:* Picture was taken at the latest in-person committee meeting. Advice and recommendations of committee members were obtained remotely during fiscal year ended March 31, 2021.
Evaluation of the Effectiveness of the Board of Directors

In the fiscal year ended March 31, 2021, following deliberations by the Governance, Nomination & Compensation Committee in October*, Independent Outside Director Mr. Tatsuoka and Audit & Supervisory Board Member Ms. Sato led an evaluation of the effectiveness of the Board of Directors, formulating questions and conducting interviews, and then analyzing and evaluating the responses. This year, their multifaceted analysis included a survey of Business Group CEOs.

**Specific Process**

**STEP 1**
Questionnaire and interview for all Directors and Audit & Supervisory Board Members

The questionnaire covered the size and composition, operations, and agenda items of the Board of Directors; the support system for Outside Board members; self-evaluation of individual involvement; the composition and operation of the Governance, Nomination & Compensation Committee; the operation of meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members; engagement with shareholders and investors; and medium- to long-term issues that pertain to corporate governance.

**STEP 2**
Analysis and evaluation of results in meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members and the Governance, Nomination & Compensation Committee

The current size and composition of the Board of Directors are appropriate.

**STEP 3**
Deliberation by the Board of Directors

Further enhance deliberations of investment management systems and investment efficiency; in each segment. The Board of Directors also followed up on individual succession candidates to enhance the effectiveness of the Board of Directors.

Further enhancements included in (i) formulating the questionnaires, (ii) gathering the results and (iii) drafting a disclosure proposal, with the aim of achieving objectiveness and reliability of the process.

Goverance Reform at MC

**Building a More Effective Board of Directors**

Based on inputs including the results of the annual evaluation of the effectiveness of the Board of Directors, the Company’s in-house and Outside Directors and Audit & Supervisory Board Members worked together to have active discussions through the Board of Directors and Governance, Nomination & Compensation Committee to further improve monitoring functions for the Board of Directors.

**Review of the rules and operations of the Board of Directors**

During this fiscal year, the following rules and operational matters were reviewed:

1. Revision of rules for the Board of Directors

   Monetary thresholds standard for investment and finance proposals were decided in principle, decision-making was further delegated to the executive side, and focus was placed on deliberations on management strategy and key projects.

2. Monitoring of business subsidiaries and affiliates

   In line with the deepening of consolidated management, deliberations on strategy and governance of major business subsidiaries and affiliates of each Business Group were expanded.

3. Enhancement of briefing sessions before Board of Directors’ meetings

   Prior to Board of Directors’ meetings, executives of the Corporate Staff Section and Business Groups held briefing sessions for Outside Directors at Outside Directors and Audit & Supervisory Board Members to carefully explain strategic positioning and key points of projects, for an average of 3.5 hours each time. (Annual total hours for briefings increased from 5.5 hours in the fiscal year ended March 31, 2018 to 27 hours in the fiscal year ended March 31, 2019) This has led to further enhancement of deliberations on the Board of Directors’ meetings.

**Further enhancement of the content of deliberations at Board of Directors’ meetings**

The following directions were confirmed through evaluation of the effectiveness of the Board of Directors and by the Governance, Nomination & Compensation Committee.

1. Conventional reporting on management strategy and progress by the Corporate Staff Section and Business Groups would be performed at venues other than Board of Directors’ meetings. Time fixed up for this will be used for business execution reporting under a new framework.

2. Specifically, to further improve monitoring functions for a framework that supports major business subsidiaries and affiliates of each Business Group were expanded.

3. Monitoring of newly invested proposals in the next fiscal year

   Debt (site-related measures, market development measures, etc.)

   • Eneco management status
   • Status of HERE Technologies business investment and collaboration
   • Financial risk management

4. Management of executed individual investment and finance proposals

   Portfolio management models

   • Status of new HR system and measures
   • Progress in the new HR system and measures
   • Status of next year investment proposals and collaboration

5. Supervision of MC’s vision and structures supporting MC’s vision would be expanded.

   - Structure supporting MC’s vision (progress of key items in the Mitsubishi Corporate Strategy)
   - Management Platform Supporting Value Creation

   (i) Policy measures in the Corporate Staff Section, etc.
   (ii) Conventional management status reports by individuals at the Corporate Staff Section and Business Groups
   (iii) New framework for the fiscal year ended March 31, 2021, conventional Corporate Staff Section and Business Group-specific management status reports are combined outside of Board of Directors’ meetings.

* After thoroughly reviewing the framework of the evaluation process, including the necessity of full-party evaluation. It was determined that a self-evaluation process held by Outside Directors members is the most effective, as the same format as in the previous fiscal year was used for this fiscal year. In addition to Independent Outside Directors members leading the evaluation, the objective advice from external consultants was sought in formulating the questionnaires, (i) gathering the results and (ii) drafting a disclosure proposal, with the aim of achieving objectiveness and reliability of the process.
MC is committed to further enhancement of the effectiveness of the Board of Directors through the continual improvement of governance

Mr. Tatsuoka and Ms. Sato coordinated the evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 31, 2021. In the following dialogue, they share their views about MC’s corporate governance.

Stimulating discussion by introducing different perspectives

Tatsuoka | I joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade, and Industry) after the peak of Japan’s high economic growth, so I have witnessed, from a governmental standpoint, the transitioning of the Japanese economy over the past 30 to 40 years. I have worked in fields relevant to MC’s business domains, ranging from energy-related matters, such as oil decentralization and the power market liberalization, to various manufacturing industries, including automobiles, materials and machinery. I have also been involved in governance reform and organizational management. Throughout my entire career, rather than focusing on one particular field, I have been involved in various aspects of the economy and business, which allows me to apply my experience to wide-ranging discussions in various MC forums, including MC’s Board of Directors.

Sato | Like Mr. Tatsuoka, I am involved in a wide range of industries, including retail and manufacturing, food, pharmaceuticals, and construction as well as trading companies, through my work as an attorney at a firm specializing in corporate legal affairs. During my time at the firm, and after studying in the US, I was appointed as an independent outside audit & supervisory board member at a food manufacturer in 2004. Since then, I have served as an outside director and audit & supervisory board member for various companies. Through this experience, I have learned about the specific factors influencing the industries in which I have been involved, as well as the expectations of individual companies and the types of information used to make management decisions. I have also witnessed firsthand the changes that have occurred in boards of directors. I believe that my role is to speak up if I feel there is a sense of discomfort, whether from an outside perspective or from the viewpoint of shareholders.

Tatsuoka | The ability to incorporate views based on differing backgrounds and experience and a variety of perspectives is very useful for management. Broadly speaking, the main purpose of corporate governance is to find ways to achieve sustainable improvement in corporate value. In my view, the most important way to do this is by achieving a good balance between risk and the pursuit of opportunities, while taking into account the perspectives of outside board members.

Sato | As an Audit & Supervisory Board Member, I believe the atmosphere at Board of Directors’ meetings is one where everyone can speak freely. In addition, any information requested is provided promptly. My impression is that executives are always receptive to open and open-minded in their interactions with outside officers.

Tatsuoka | As in the previous two years, the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2021 was coordinated by outside officers. This time the process was conducted by Ms. Sato and myself. The fact that such a task was assigned to outside officers is another manifestation of the attitudes that we have been talking about. It is also worth noting that some of the topics raised as part of information sharing in Meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members and other forums were also discussed during meetings of the Board of Directors.

Sato | One of the important themes this year is reviewing the Midterm Corporate Strategy 2021, which will be completed in the fiscal year ending March 31, 2022. I think it is important for the Board of Directors to share future issues based on internal and external environments by monitoring the progress of important processes. Similarly, I also look forward to having more thorough discussions about shareholder returns and capital policy from the perspective of shareholders and investors. In addition, I believe there should be continuing discussions about optimal governance system based on the company’s current situation and external environment.

Digital transformation (DX) and energy transformation (EX) initiatives are currently seen as the most important priorities, but MC also needs to offer a vision for the future beyond these changes so that it can move forward to the next stage.

Constant reform from a medium- to long-term perspective

Tatsuoka | Looking back over the three years that I have spent as an Independent Outside Director at MC, I see clear evidence of improvement in the MC’s corporate governance, which I find very encouraging. MC has advocated for enhancing monitoring functions, and that is currently being administered and implemented in ways best suited to the current state of MC. Specifically, MC raised the monetary threshold standards for items on agendas for Board of Directors’ meetings. In the past, the majority of agenda items were related to individual investment proposals, but now more time is allocated to themes that are important from the perspective of companywide management, such as DX and EX, financial and non-financial risk management as well as sustainability. In addition, the improvement and expansion of briefing sessions have made it possible for the Board to start discussing core issues immediately. Within the Governance, Nomination & Compensation Committee, members can speak freely and hold discussions. It operates according to a fair and transparent process, where even details relating to compensation are disclosed. In the past, it was as if the Board was talking about ways to plant and nurture individual trees, but the focus has shifted toward ways to grow larger trees and even entire forests. I see this as key to a hybrid approach to business, and believe that such an approach, which contrasts with the management style of leaving everything to the executive organization and simply overseeing personnel matters and strategies, is well suited to this company.

Sato | I have been an Independent Outside Audit & Supervisory Board Member at MC for over a year, and while I think the way topics are selected for discussion at Board of Directors’ meetings is appropriate for MC, I also feel the scope of debate could be expanded further in this time of dramatic change. For example, I would like to see more in-depth deliberations about asset replacement through DX and EX, as well as roadmaps for those processes. Similarly, I also look forward to having more thorough discussions about shareholder returns and capital policy from the perspective of shareholders and investors. In addition, I believe there should be continuing discussions about optimal governance system based on the company’s current situation and external environment.
Overview of Corporate Governance

MC’s Basic Policy on Corporate Governance

MC’s corporate philosophy is enshrined in the Three Corporate Principles. Through corporate activities rooted in the principles of fairness and integrity, MC strives to continuously raise corporate value. MC believes that by helping to enrich society, both materially and spiritually, it will also meet the expectations of shareholders, customers, and all other stakeholders.

In order to achieve these goals, MC recognizes strengthening corporate governance on an ongoing basis as its important subject concerning management since it is foundation for ensuring sound, transparent, and efficient management. MC, based on the Audit & Supervisory Board System, is thus working to put in place a corporate governance system that is even more effective. This includes strengthening management supervision through such measures as appointing Outside Directors and Outside Audit & Supervisory Board Members who satisfy the conditions for Independent Directors or Independent Audit & Supervisory Board Members, and establishing advisory bodies to the Board of Directors where the majority of members are Outside Directors and Outside Audit & Supervisory Board Members and other experts from outside MC. At the same time, MC uses the executive officer system, etc., for prompt and efficient decision-making and business execution.

Corporate Governance Framework (As of July 1, 2021)

Board of Directors

Matters Deliberated by the Board of Directors

The Board of Directors deliberates on important management issues, and supervises business execution through reports on priority matters in Midterm Corporate Strategy, the business strategies of Business Groups, and so on. In addition, matters requiring resolution in accordance with laws and regulations, and investment and finance proposals exceeding a monetary threshold standard set by MC are deliberated and resolved with an emphasis not only on the economic aspects, but also on ESG perspectives. MC has also constructed appropriate internal control systems, and checks their operational status every year in order to work toward their continuous improvement and strengthening.

Business execution other than these matters for resolution by the Board of Directors is entrusted to Executive Officers by appointing the President as the Chief Executive Officer responsible for business execution, and the Executive Committee (meets twice monthly) as a management decision-making body.

Agenda of the Board of Directors in the Fiscal Year Ended March 31, 2021

<table>
<thead>
<tr>
<th>Theme</th>
<th>Main resolutions and matters reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management strategy-related items</td>
<td>• Business Strategy Committee report • Business Execution reports (non-financial and financial risk management, human resources policy, domestic development, regional strategy, power and retail O&amp;I, food distribution O&amp;I)</td>
</tr>
<tr>
<td>Corporate-related items</td>
<td>• Appointments of the Board of Directors and Audit &amp;Supervisory Board Members • Appointments of Executive Officers • Remuneration for Directors and Audit &amp;Supervisory Board Members • Financial Statements • Consolidated business continuity management (BCM) measures</td>
</tr>
<tr>
<td>Investment and finance proposals</td>
<td>• Chrysa Corporation • Mitsubishi Motors Corporation • Mitsubishi HC Capital Inc. • Vung Ang 2 Project • Confirmation of business status for Eneco Groep N.V. and HERE International B.V.* • New investments are monitored by the Board of Directors in the following fiscal year</td>
</tr>
<tr>
<td>Other</td>
<td>• Ordinary General Meeting of Shareholders-related items • Governance, Nomination &amp; Compensation Committee report • Evaluation of the effectiveness of the Board of Directors • State of response to COVID-19</td>
</tr>
</tbody>
</table>
Board of Directors’ Advisory Bodies

Governance, Nomination & Compensation Committee
Convenes three times or more per year

The committee meets at least three times a year and a majority of its members are Outside Directors. It deliberates on matters related to governance, nomination, and compensation.

Composition of the Committee: (Chairman: Ken Kobayashi) (As of July 1, 2021)

Number and Percentage of Outside Directors*

<table>
<thead>
<tr>
<th>Outside Members (5)</th>
<th>In-House Members (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akikazu Saito</td>
<td>Chairman of the Board, President and CEO</td>
</tr>
<tr>
<td>Tsuneo Tatsuka</td>
<td>Representative Director</td>
</tr>
<tr>
<td>Shun ichi Akiyama</td>
<td>Representative Director</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Outside Director</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Outside Director</td>
</tr>
</tbody>
</table>

* Based on status as of July 1, 2021

Main Discussion Themes

- Composition of the Board of Directors and Audit & Supervisory Board, policy on appointment of and proposals for appointment of Directors and Audit & Supervisory Board Members
- Review of the remuneration package including the policy for setting remuneration and appropriateness of remuneration levels as well as composition
- Requirements for the President and CEO and basic policies concerning the appointment and dismissal of the President and CEO, as well as a personnel proposal for the President and CEO
- Evaluation of the effectiveness of the Board of Directors

President’s Performance Evaluation Committee

The President’s Performance Evaluation Committee has been established as a subcommittee to the Governance, Nomination & Compensation Committee, comprising the same Chairman and Outside Directors as the parent committee to deliberate the assessment of the President’s performance. The President is not a member.

International Advisory Committee
Convenes one time per year

The committee comprises overseas experts of various backgrounds, including politics, business, government and academic, and provides recommendations and advice from an international perspective.

International Advisory Committee (5) (As of July 1, 2021)

<table>
<thead>
<tr>
<th>Member</th>
<th>Nationality</th>
<th>Title</th>
<th>Years served</th>
<th>Principal area of specialization and background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Armitage</td>
<td>United States of America</td>
<td>Former United States Secretary of State</td>
<td>5 years</td>
<td>Ambassador Armitage previously served as Special Envoy to Jordan and United States Deputy Secretary of State. He is widely experienced in foreign diplomacy, is a leading expert on Asia and Japan within the US, and is acknowledged as an authority on the Middle East.</td>
</tr>
<tr>
<td>Joseph S. Nye</td>
<td>United States of America</td>
<td>Harvard University, Distinguished Service Professor</td>
<td>13 years</td>
<td>Professor Nye is a globally renowned scholar in the field of geopolitics. He has extensive experience not only in academia, but also in political and economic circles. Within the International Advisory Committee, he presides over annual reviews of the international situation and makes valuable suggestions regarding industry trends.</td>
</tr>
<tr>
<td>Ratan N. Tata</td>
<td>India</td>
<td>Chairman, Tata Trusts</td>
<td>21 years</td>
<td>Mr. Tata has expanded his business presence to over 100 countries worldwide and has particularly deep knowledge of industrial as well as political and economic developments in India.</td>
</tr>
<tr>
<td>George Yeo</td>
<td>Singapore</td>
<td>Former Chairman, Keppel Logistics Company</td>
<td>8 years</td>
<td>Mr. Yeo has previously served as Singapore’s Minister for Information and the Arts, Minister for Trade and Industry, and Minister for Foreign Affairs. His background brings a wealth of knowledge in the geopolitical situation in ASEAN and China to the committee.</td>
</tr>
<tr>
<td>Niall FitzGerald, KBE</td>
<td>Ireland</td>
<td>Former CEO and Chairman, Unilever</td>
<td>8 years</td>
<td>Mr. FitzGerald, KBE has served as Chairman of several major companies such as Unilever and Fodder, as well as the British Museum. He has an outstanding knowledge of both geopolitics and industry, and his consideration of the impacts of geopolitical changes on business provides valuable advice for the International Advisory Committee.</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala III</td>
<td>The Philippines</td>
<td>Chairman, Ayala Corporation</td>
<td>21 years</td>
<td>Mr. Zobel has experience in growing a global business launched from the ASEAN region, and therefore has a thorough knowledge of various geopolitical and industry trends in Asia, particularly in the ASEAN region.</td>
</tr>
</tbody>
</table>

Japanese Members (5) (As of July 1, 2021)

<table>
<thead>
<tr>
<th>Member</th>
<th>Nationality</th>
<th>Title</th>
<th>Years served</th>
<th>Main discussion themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ken Kobayashi</td>
<td></td>
<td>Chairman of the Board</td>
<td></td>
<td>State of the Global Economy, Geopolitics, Innovation</td>
</tr>
<tr>
<td>Takahiko Kakusho</td>
<td></td>
<td>President and CEO</td>
<td></td>
<td>Trade tensions, trends in emerging countries, country-based setback</td>
</tr>
<tr>
<td>Yasutomo Hirai</td>
<td></td>
<td>Member of the Board, Executive Vice President</td>
<td></td>
<td>Bilateral relations, world order, global risks</td>
</tr>
<tr>
<td>Akikazu Saito</td>
<td></td>
<td>Outside Director</td>
<td></td>
<td>Digitization-driven changes in industry and society around the world</td>
</tr>
<tr>
<td>Tsuneo Tatsuka</td>
<td></td>
<td>Outside Director</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The members removed their face masks only when this picture was taken, and ensured proper distance between their seats during the meeting.
The Audit & Supervisory Board comprises all of the Audit & Supervisory Board Members responsible for auditing the decision-making processes and management performance of Directors in compliance with the Companies Act and other laws and regulations, as well as Mitsubishi Corporation’s Articles of Incorporation and internal rules/regulations. Full-time Audit & Supervisory Board Members ensure the soundness of the management by executing audits from a perspective based on abundant working experience at the Company, while Outside Audit & Supervisory Board Members execute audits with a background of abundant working experience in their particular fields as well as neutral and objective perspectives. In addition to resolutions of matters required by law and other important issues, the Audit & Supervisory Board strives to enhance information-sharing among the members through briefings on key matters and reporting the status of auditing activities for each of the members.

Audit Plans
Prior to each fiscal year, the Audit & Supervisory Board formulates audit plans with key areas. In the fiscal year ended March 31, 2021, the following three key audit areas were selected for the monitoring of specific progress in management and execution.

1. Measures Related to Midterm Corporate Strategy 2021:
   - Initiatives aimed at achieving digital transformation (DX)
   - Progress in the streamlining and restructuring of existing businesses
   - Implementation of both employee development and revitalization measures

2. Enhancing MC Group Management:
   - Delegation of authority and development/implementation of management systems reflecting the actual state of business management
   - Autonomous activities at all MC offices and subsidiaries in accordance with new regional frameworks
   - Responding to Key Sustainability Issues
   - Business continuity management in core businesses

3. Initiatives to Strengthen Group Corporate Governance:
   - Enhancement of deliberations at Board of Directors’ meetings
   - Strengthening the effectiveness of control companywide
   - Self-sustaining governance through the dispatch of full-time audit & supervisory board members to business subsidiaries and affiliates

Approaching the Final Year of Midterm Corporate Strategy 2021
In the fiscal year ended March 31, 2021, we affirmed progress in Midterm Corporate Strategy 2021 and the initiatives toward enhancing Group management and strengthening Group corporate governance. Amid constraints on traveling due to the prolonged COVID-19 pandemic, all Full-time Audit & Supervisory Board Members actively collected information and strived to understand our situation through dialogues with executives of MC as well as MC Group companies using remote communication tools as necessary, while working to strengthen cooperation with Outside Directors and Outside Audit & Supervisory Board Members. We will continue working to strengthen our corporate governance as we assess the effects of the pandemic.

As we reach the final year of Midterm Corporate Strategy 2021, we will keep monitoring the status of management execution while taking into account social situations including digitalization and low carbon decarbonization.
Overview of Corporate Governance

Exhibitions

Independent Outside Directors

Akihiko Nishiyama
Main career: Professor, Ritsumeikan University

Number of years on Board of Directors: 6 years

Mr. Nishiyama has an extensive and varied career that includes both entrepreneurial and management experience, work on think-tank surveys and university-level business studies, all of which have equipped him with broad expertise in organizational reforms, HR development and business management.

Akitaka Saiki
Main career: Former Vice-Minister of Foreign Affairs, Ministry of Foreign Affairs of Japan

Number of years on Board of Directors: 4 years

Mr. Saiki worked with Japan’s Ministry of Foreign Affairs and this has given him sensitive insight into geopolitics. He also possesses keen expertise in country risk and a broad network of contacts in that area.

Tsuneyoshi Tatsuoka
Main career: Former Vice-Minister of Economy, Trade and Industry, Ministry of Economy, Trade and Industry of Japan

Number of years on Board of Directors: 3 years

Mr. Tatsuoka worked with Japan’s Ministry of Economy, Trade and Industry, and brings to MC’s Board extensive know-how with respect to strategies in resources, energy, manufacturing and other industries; insight into the economic policies and trends adopted both in and outside of Japan; and extensive knowledge of sustainability measures.

Shunichi Miyanaga
Main career: Chairman of the Board, Mitsubishi Heavy Industries, Ltd.

Number of years on Board of Directors: 2 years

Mr. Miyanaga possesses deep knowledge in the tech sectors and has spent many years at the helm of a listed manufacturing conglomerate that is engaged in businesses all over the world. He brings to MC’s Board global management experience and practical insight.

Sakie Akiyama
Main career: Founder and CEO, Saki Corporation

Number of years on Board of Directors: 1 year

Ms. Akiyama possesses extensive expertise in the digital and IT spaces having worked as an international business consultant and is the founder of Saki Corporation, a firm that specializes in robotic inspection systems for the electronics assembly markets. She brings to MC’s Board a wealth of know-how in innovation and its role in growing global enterprises.

Independent Outside Audit & Supervisory Board Members

Yasuko Takayama
Main career: Former Audit & Supervisory Board Member, Shionido Company, Limited

Number of years on Board of Directors: 5 years

Ms. Takayama possesses extensive experience in brand strategy, marketing and sustainability gained at a B2C company, having held key positions including Full-time Audit & Supervisory Board Member at Shionido Company, Limited, in addition to management perspectives nurtured through extensive experience as an Outside Director and Outside Audit & Supervisory Board Member.

Rieko Sato
Main career: Partner, ISHI LAW OFFICE

Number of years on Board of Directors: 1 year

Ms. Sato possesses extensive knowledge of corporate law (Companies Act, Financial Instruments & Exchange Act, compliance, etc.), having worked as an attorney for many years, and management perspectives gained through extensive experience as an Outside Director and Outside Audit & Supervisory Board Member.

Takeshi Nakao
Main career: CEO, PARTNERS HOLDINGS, Co., Ltd.

Number of years on Board of Directors: 1 year

Mr. Nakao possesses profound knowledge of finance and accounting as a certified public accountant, as well as extensive insight gained through many years of experience in advisory work on M&A deals, corporate revitalization and internal control.

Meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members

MC facilitates the exchange of information and sharing of ideas from an independent and objective standpoint in order to sustain growth and enhance corporate value over the medium and long term. These discussions are reported to the Board of Directors as necessary.

• Main Discussion Themes (Fiscal Year Ended March 31, 2021)
  • The Corporate Governance Framework of MC
  • Succession planning
  • Future issues and initiatives based on evaluation of the effectiveness of the Board of Directors

Note: The members removed their face masks only when this picture was taken, and ensured proper distance between their seats during the meeting.
Overview of Corporate Governance

Stance on Acquisition, Holding and Reduction in Listed Stocks/Reduction in Holdings of Listed Stocks

- **Stance on acquisition, holding and reduction in listed stocks**
  MC may acquire and hold shares acquired for other than pure investment as a means of creating business opportunities and building, maintaining and strengthening business and customer relationships. When acquiring such shares, MC confirms the necessity of its acquisition based on the significance and economic rationale of the purchase in accordance with internal company rules. Also, MC periodically reviews the rationality of continuing to hold the shares and proceeds reducing holdings of stocks with decreased significance.

- **Verification policy for holding individual shares**
  The Board of Directors works all of the listed shares (excluding pure investment) held by MC from the perspectives of both economic rationale and qualitative significance of holding them every year. The economic rationale is confirmed by whether or not the related earnings from each stock, such as dividends and related business profits on transactions, exceed MC’s target capital cost (weighted average cost of capital) for the market price of each individual share. The qualitative significance is confirmed by the achievement or status of progress of the expected purpose for holding this stock, etc.

- **Reduction in holdings of listed stocks**
  Based on the results of the above verification, in the fiscal year ended March 31, 2021, we sold 68.7 billion yen, a decrease of slightly less than 20% compared to the previous fiscal year. As of the fiscal year ended March 31, 2021, the total market value was 448.9 billion yen (excluding deemed shareholdings).

Overview of Remuneration Package

- **Basic Approach**
  - Remuneration levels are set based on the functions and roles of the Directors and Audit & Supervisory Board Members, and the Company's level of performance and other factors.
  - Remuneration levels are globally competitive and based on performance targets to motivate career growth in human resources who will be responsible for the next generation of management and to further raise organizational vitality.
  - Remuneration for Directors is designed for greater focus on increasing medium- to long-term corporate value by more closely linking remuneration to medium- to long-term corporate value and fiscal year earnings, as well as the creation of stock remuneration with stronger tie to shareholder value, in addition to such compensation. From this perspective, consolidated net income (long-term and medium-term), the share price and growth rates in shares (medium to long-term) are adopted as key performance indicators. To ensure the independence of the Chairman of the Board and Outside Directors, who undertake functions of management oversight, and Audit & Supervisory Board Members, who undertake audits, the Company only pays them fixed monthly remuneration.
  - The Governance, Nomination & Compensation Committee, where a majority of the members are Outside Directors and Outside Audit & Supervisory Board Members, continuously deliberates and monitors methods for disclosing remuneration package, the fairness of remuneration levels and compositions, and the status of implementation.
Performance-based Remuneration (Short term)

(1) Upper limit on total payment

The upper limit is the lower of (i) ¥400 million or (ii) the maximum total of individual payment amounts prescribed in (2) below.

(2) Individual payments

<table>
<thead>
<tr>
<th>Individual payment</th>
<th>Maximum total payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>President and CEO</td>
<td>¥175 million</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>¥75 million</td>
</tr>
<tr>
<td>Total</td>
<td>¥250 million</td>
</tr>
</tbody>
</table>

No bonus is paid if consolidated net income is below consolidated net income target, as determined by the President and CEO. The annual amount is paid in March of the following year (considered as the stock year ending March 31).

Stock-Based Remuneration Linked to Medium- to Long-Term Share Performance

(1) Upper limit on total payment

The upper limit is ¥400 million. However, the upper limit on total number of shares per year is 400,000 shares (4,000 stock options).

(2) Conditions for exercise of stock options

Some or all stock options may be exercised depending on the stock growth rate (market conditions).

Governing Remuneration

The Governance, Nomination & Compensation Committee deliberates and the Board of Directors decides the policy for setting Directors’ remuneration and this remuneration amount (actual payment amount).

The total remuneration amount (actual payment amount) and individual payment amounts for Directors, excluding individual performance bonuses, are determined by a resolution of the Board of Directors within the upper limits for each type of remuneration decided by resolution of the Ordinary General Meeting of Shareholders, held on June 21, 2019. Basic salary, annual deferral, and annual deferral for retirement remuneration, items of fixed remuneration, are paid in amounts determined by the Board of Directors. As for variable remuneration, payments of performance-linked bonuses (short term) and performance-linked bonus (medium to long term) are determined, while reflecting key performance indicators (KPIs), based on a bonus set by the Board of Directors following deliberation by the Governance, Nomination & Compensation Committee. The payment amounts of individual performance bonuses paid to Directors based on their individual performance assessment, including qualitative assessment, are determined and paid on an individual basis, reflecting the President’s yearly performance assessment of each Director for the relevant fiscal year by the Board of Directors delegates authority to the President for deciding the individual payment amounts.

Performance evaluations of Executive Directors comprehensively take into account their contributions to the organization and the business. They exercise their contributions to management at the entire Company, Corporate Staff Sections, Group companies, and offices, achieving the triple-value growth and the state of sustainability initiatives from an ESG perspective.

The annual assessment on the President’s performance is decided by the President’s Performance Evaluation Committee, which is delegated this authority by the Board of Directors (see Article 29 of the Company’s Remuneration, Nomination & Compensation Committee, the subcommittee is comprised of the Chairman of the Board, who also serves as the chair of the Governance, Nomination & Compensation Committee, and Outside Directors sitting on the committee (see page 76). Results of the performance assessment are reported to the Board of Directors and the Governance, Nomination & Compensation Committee to ensure objectivity, fairness and transparency.

The Board of Directors, on the recommendation of the Governance, Nomination & Compensation Committee, determines a framework of remuneration (including performance-linked bonuses) and its amount for the fiscal year ending March 31, 2020, which is approved by the Ordinary General Meeting of Shareholders held on May 17, 2019, and the extraordinary meeting of the Board of Directors held on June 21, 2019, each year, the Governance, Nomination & Compensation Committee deliberates and the Board of Directors makes a decision determining the total amount of director remuneration packages and methods for deciding payments to individual directors are consistent with said policy for determining remuneration packages.

Total and individual amounts of remuneration paid to Audit & Supervisory Board Members are determined following deliberations by the Audit & Supervisory Board within the scope of remuneration for Audit & Supervisory Board Members approved at the Ordinary General Meeting of Shareholders held June 21, 2019.

Overview of Corporate Governance

Calculation Method for Performance-Linked Remuneration (Fiscal Year Ending March 31, 2022)

Performance-linked bonus (short term)

(1) Upper limit on total payment

Same as performance-linked bonus (short term)

(2) Individual payments

<table>
<thead>
<tr>
<th>Individual payment</th>
<th>Maximum total payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>President and CEO</td>
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<td>¥75 million</td>
</tr>
<tr>
<td>Total</td>
<td>¥250 million</td>
</tr>
</tbody>
</table>

Consolidated net income (medium to long term) is determined, while reflecting the performance-linked bonus (medium to long term) payment amount (actual payment amount).

The Governance, Nomination & Compensation Committee deliberates and the Board of Directors makes a decision determining the total amount of director remuneration packages and methods for deciding payments to individual directors are consistent with said policy for determining remuneration packages.

Total and individual amounts of remuneration paid to Audit & Supervisory Board Members are determined following deliberations by the Audit & Supervisory Board within the scope of remuneration for Audit & Supervisory Board Members approved at the Ordinary General Meeting of Shareholders held June 21, 2019.

**Conceptual Image of Payment Mix for Remuneration of Executive Directors**

**Directors’ and Audit & Supervisory Board Members’ Remuneration:**

**Total Amounts and Number of Eligible Persons in the Fiscal Year Ended March 31, 2021**

<table>
<thead>
<tr>
<th>Yearly Remuneration</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic salary</td>
<td>1,001</td>
<td>1,001</td>
</tr>
<tr>
<td>Performance-linked bonus (short term)</td>
<td>1,001</td>
<td>1,001</td>
</tr>
<tr>
<td>Performance-linked bonus (medium to long term)</td>
<td>1,001</td>
<td>1,001</td>
</tr>
<tr>
<td>Stock-based remuneration linked to medium- to long-term share performance</td>
<td>1,001</td>
<td>1,001</td>
</tr>
<tr>
<td>Retirement remuneration</td>
<td>1,001</td>
<td>1,001</td>
</tr>
<tr>
<td>Total remuneration</td>
<td>1,001</td>
<td>1,001</td>
</tr>
</tbody>
</table>

Note: See page 76 for ESG perspective.